



LINCOLN CONSOLIDATED SCHOOLS

Ypsilanti, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2008**



REHMANN ROBSON

Certified Public Accountants

LINCOLN CONSOLIDATED SCHOOLS

For the Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

September 16, 2008

Board of Education
Lincoln Consolidated Schools
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **LINCOLN CONSOLIDATED SCHOOLS**, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Consolidated Schools, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparisons for the general and food service funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln Consolidated Schools' basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Lincoln Consolidated Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' and 'L'.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of Lincoln Consolidated Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$20,448,260 (*net assets*). Of this amount, \$1,434,373 (*unrestricted net assets*) may be used to meet the government's ongoing obligations for district programs.
- The government's total net assets decreased by \$896,219 from the prior year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,399,171, a decrease of \$648,989 from the prior year. Approximately 95%, or \$5,154,551 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,148,329 or 9% of total general fund expenditures. The decrease in the fund balance for the General Fund was \$767,944 as compared with the prior year decrease of \$462,337.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, athletics and community service. The District has no business-type activities as of and for the year ended June 30, 2008.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and food service funds, each of which are considered to be a major fund. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general and food services funds herein to demonstrate compliance with those budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statement section of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,448,260 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (88%) reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities unless sold.

	Governmental Activities	
	<u>2007-08</u>	<u>2006-07</u>
Current and other Assets	\$ 11,788,131	\$ 12,769,475
Capital assets, net	<u>107,593,972</u>	<u>110,900,848</u>
Total assets	<u>119,382,103</u>	<u>123,670,323</u>
Long-term liabilities outstanding	89,364,724	92,622,960
Other liabilities	<u>9,569,119</u>	<u>9,702,884</u>
Total liabilities	98,933,843	102,325,844
Net Assets:		
Invested in capital assets, net of related debt	18,002,034	18,304,856
Restricted	1,011,853	892,898
Unrestricted	<u>1,434,373</u>	<u>2,146,725</u>
Total net assets	<u>\$ 20,448,260</u>	<u>\$ 21,344,479</u>

An additional portion of the District's net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (7% or \$1,434,373) may be used to meet the government's ongoing obligations to its programs.

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets.

The government's net assets decreased by \$896,219 during the current fiscal year. This compares to a decrease of \$2,038,098 in the prior year. The decrease in net assets for the current fiscal year was \$1.14 million less than that of the prior year. The District's largest expense, personnel costs, totaled \$42 million, or 75% of the government-wide expenses for the current fiscal year, as compared with \$43.1 million, or 76% in the prior year.

Decreases in personnel costs resulted from a number of different reasons:

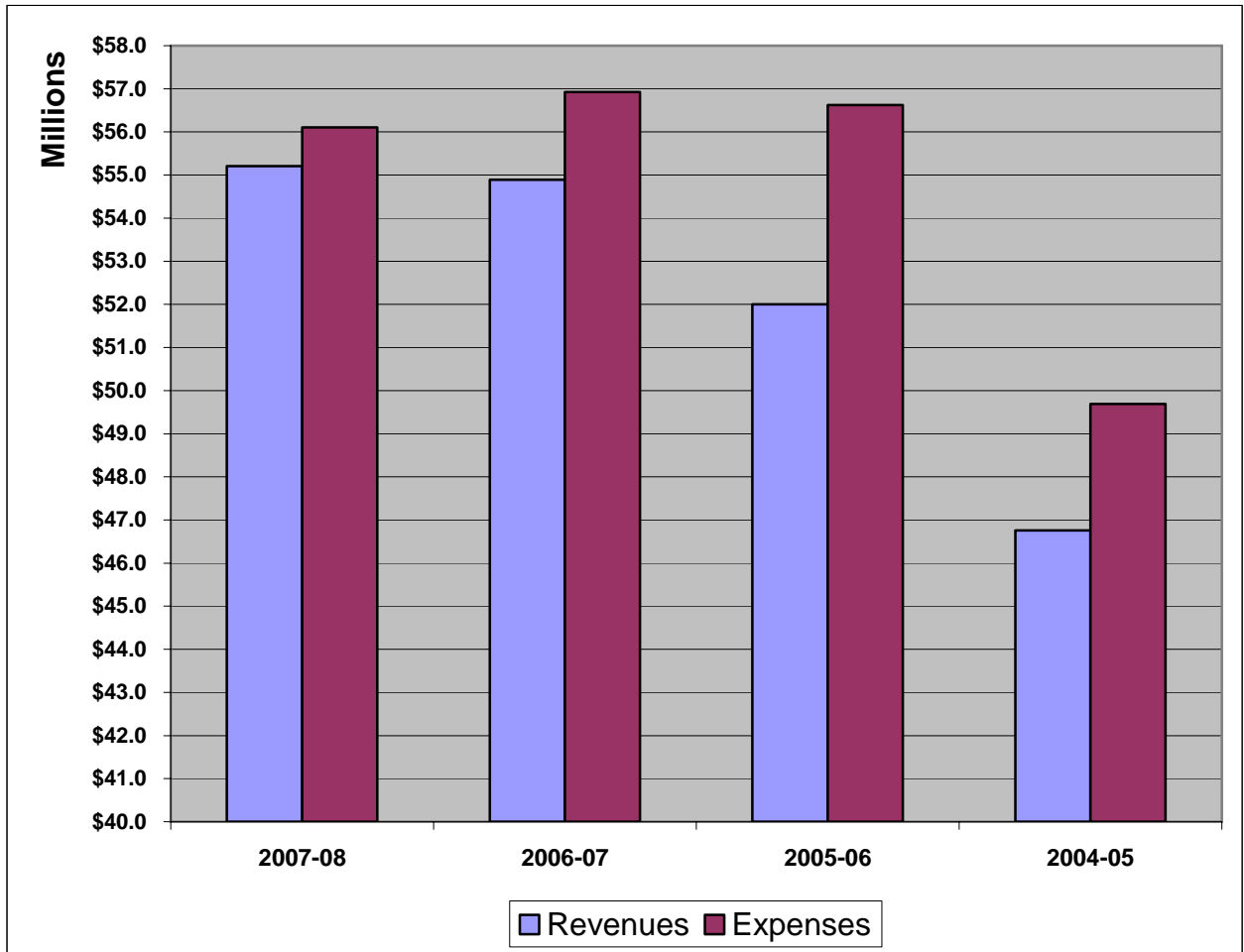
- Payroll for food service and substitute teachers was outsourced to a third party vendor
- The state retirement percentage decreased from 17.74% of payroll to 16.72%, a 6% decrease.
- All employee groups have now changed to a less expensive health insurance plan.
- Retirements of employees at the top end of the salary step schedules, resulted in their replacement by employees at lower salary steps.

The State foundation allowance revenue is determined by multiplying the blended student count by the per pupil foundation allowance. The blended count for the 07/08 fiscal year is 25% of the February 2007 and 75% of the September 2007 student counts. The foundation grant increased by \$119 from the previous year. The foundation allowance revenue is collected first from non-homestead property taxes, and then the difference is made up by payments from the State (i.e. State Aid). Foundation grants vary by school district, ranging from \$9,434 to \$7,204 for districts within Washtenaw County.

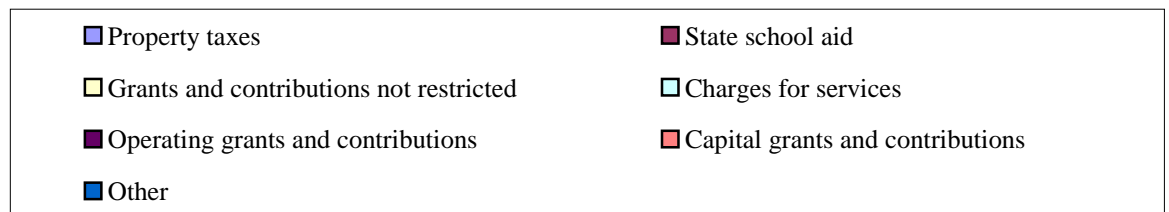
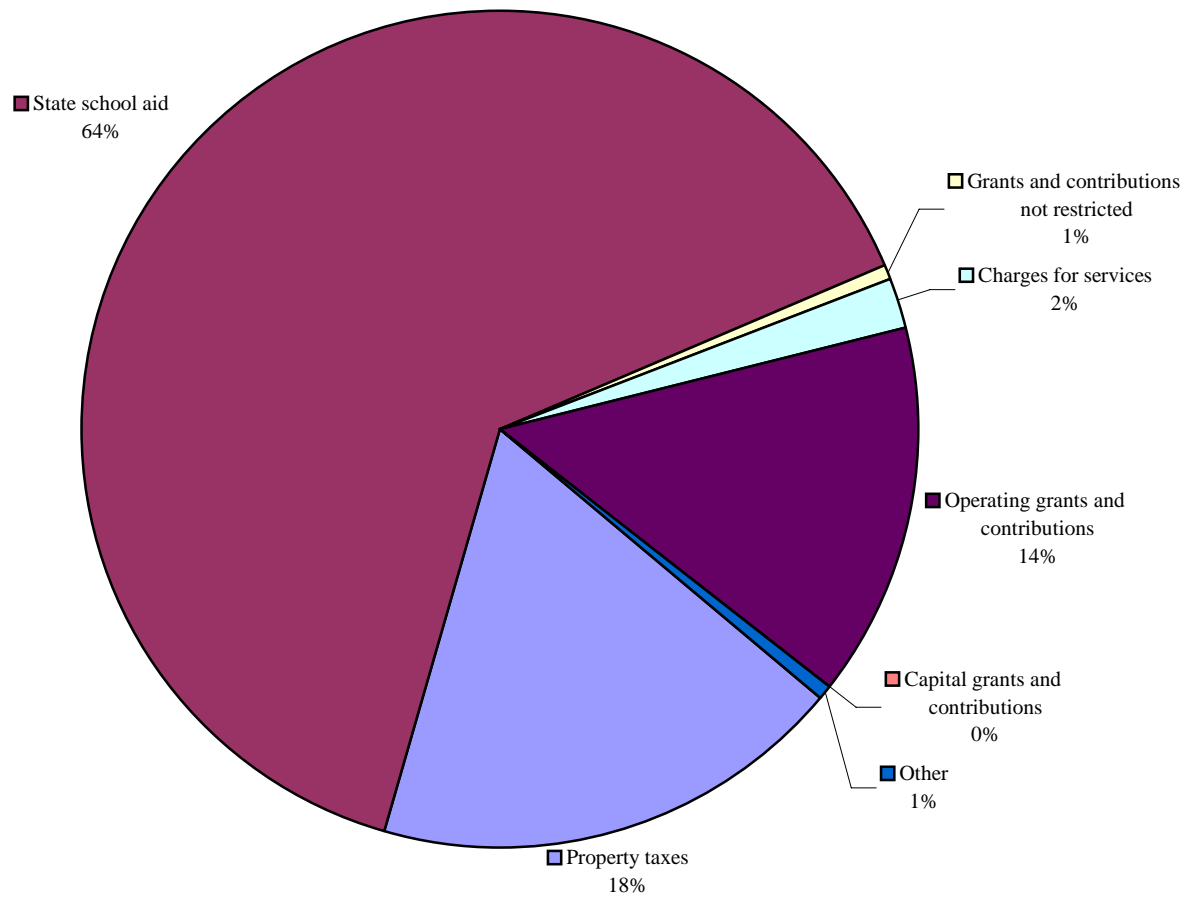
District's Changes in Net Assets

	Governmental Activities	
	<u>2007-08</u>	<u>2006-07</u>
Revenue:		
Program revenue:		
Charges for services	\$ 899,310	\$ 860,150
Operating grants and contributions	8,508,616	8,317,149
General revenues:		
Property taxes	11,837,829	10,672,295
State school aid	33,137,035	34,177,542
Grants and contributions not restricted to specific programs	282,239	369,001
Other	542,552	491,758
Total revenue	<u>55,207,581</u>	<u>54,887,895</u>
Expenses:		
Instruction	29,357,353	28,501,453
Support services	16,996,439	17,522,280
Food service	1,233,579	1,400,823
Athletics	683,757	592,177
Community service	118,162	283,295
Depreciation-unallocated	3,242,441	3,262,073
Interest on long-term debt	4,472,069	5,363,892
Total expenses	<u>56,103,800</u>	<u>56,925,993</u>
Change in net assets	(896,219)	(2,038,098)
Net assets, beginning of year	21,344,479	23,382,577
Net assets, end of year	<u>\$ 20,448,260</u>	<u>\$ 21,344,479</u>

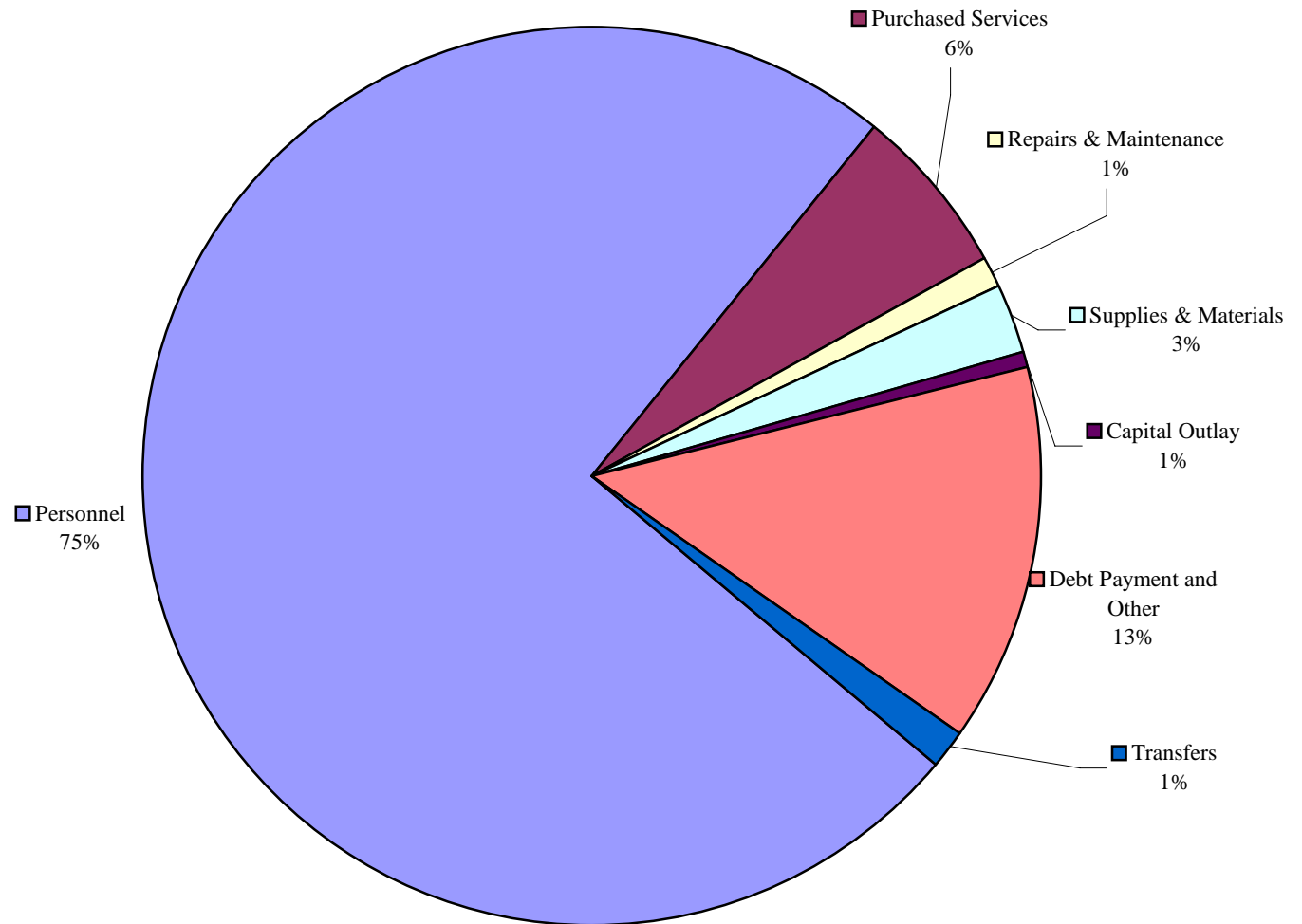
Total Expenses vs. Total Revenues - Governmental Activities



2007-08 Revenues by Source - Governmental Activities

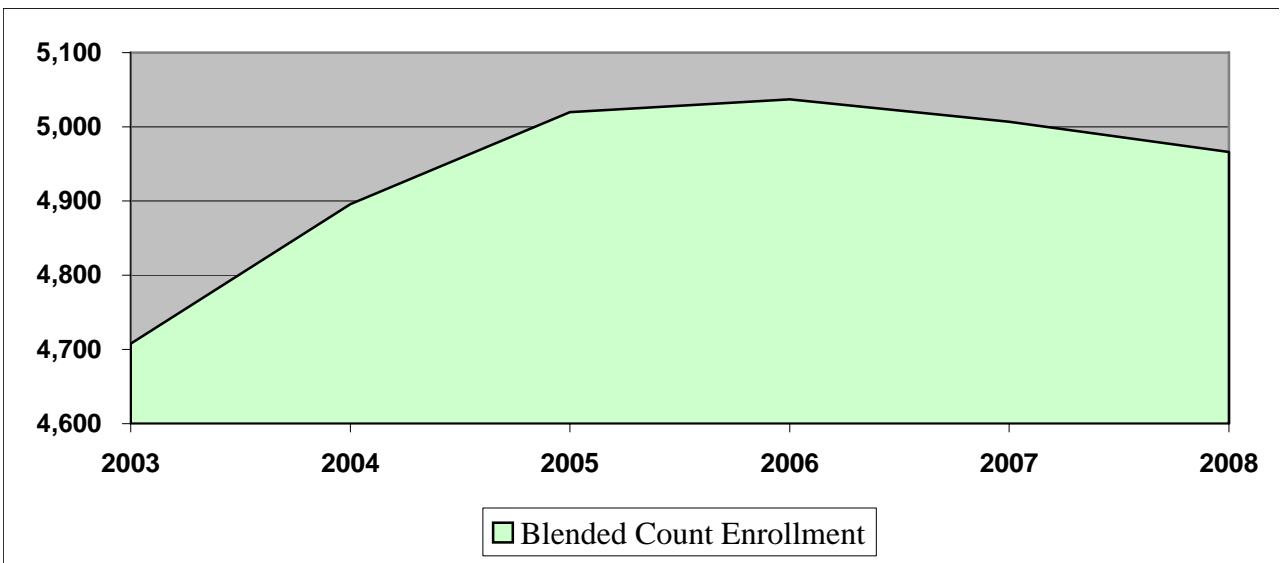


2007-08 Expenses by Object - Historical

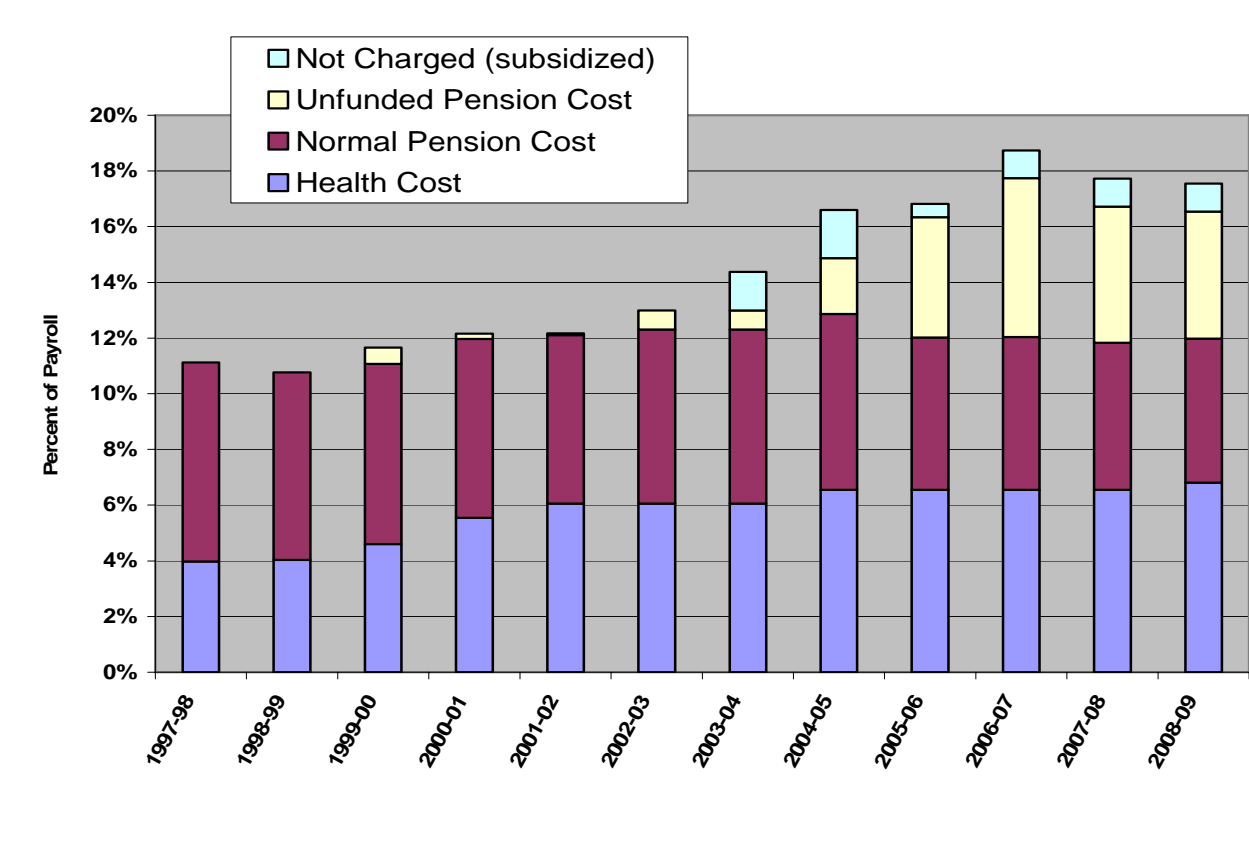


■ Personnel	■ Purchased Services	■ Repairs & Maintenance	■ Supplies & Materials
■ Capital Outlay	■ Debt Payment and Other	■ Transfers	

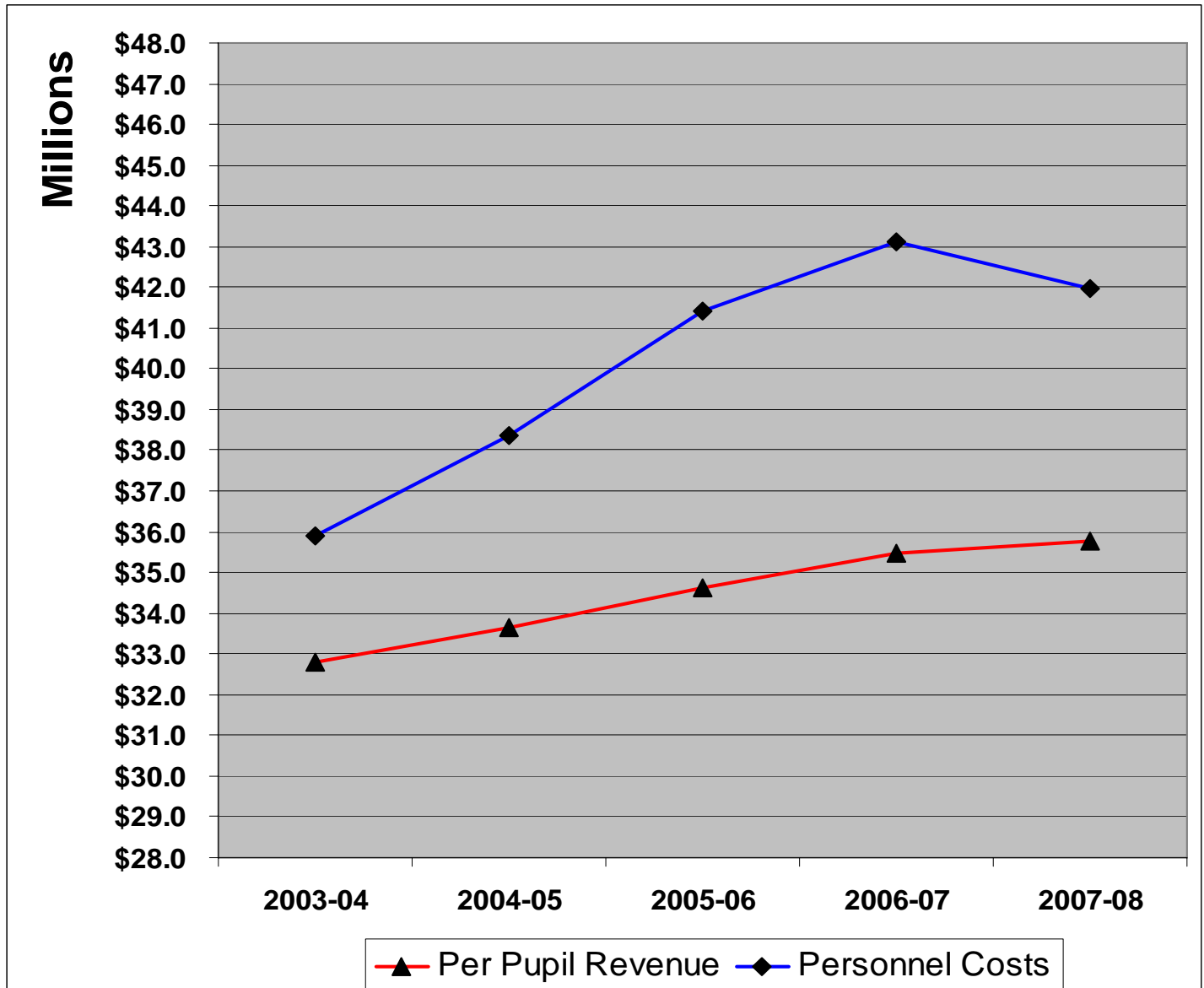
Trend in Enrollment – Historical



Retirement Rate Comparison – Historical by Fiscal Year



Per Pupil Revenue vs. Personnel Costs – Governmental Activities



	Enrollment	Per Pupil	Per Pupil Revenue	% Increase	Personnel Costs	% Increase
2003-04	4,896	\$ 6,700	\$ 32,801,257	4.8%	\$ 35,899,192	10.1%
2004-05	5,020	\$ 6,700	\$ 33,635,809	2.5%	\$ 38,360,492	6.9%
2005-06	5,037	\$ 6,875	\$ 34,629,375	3.0%	\$ 41,398,138	7.9%
2006-07	5,007	\$ 7,085	\$ 35,474,595	2.4%	\$ 43,130,657	4.2%
2007-08	4,966	\$ 7,204	\$ 35,775,064	0.8%	\$ 41,969,674	-2.7%

Note: 2007-08 Personnel Costs exclude food service employees and substitute teachers. These expenses are now included in Purchased Services.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,399,171 a decrease of \$648,989 from the prior year. Approximately 95% of this total amount (\$5.2 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaids and are not available for current expenditure.

General Fund The general fund is the chief operating fund of the District, and represents the bulk of the District's unreserved fund balance. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,148,329. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 9%, or 1.1 months of total general fund expenditures.

During the current fiscal year, the fund balance in the District's general fund decreased by \$767,944, as compared with the decrease from the 2006-07 school year of \$462,337. Transfers from the General Fund to the Athletic Fund were \$446,154, as compared with 399,961 in the prior year.

Food Service Fund During the current fiscal year, revenues exceeded expenses by \$72,241. It was not necessary to transfer any monies from the general fund, and in fact, the food service fund absorbed some expenses that in prior years were charged to the general fund. The savings resulted primarily from a change this year whereby the food service management company provided all personnel as part of their management fee.

Community Services Fund Community recreation and senior citizen programs were separated from the general fund into the new Community Services fund for the 2007-08 school year. During this first fiscal year, revenues exceeded expenses by \$5,270.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor in comparison to the overall budgeted amount. Once additional information was known, subsequent budget amendments recognized additional revenue. Expenditure needs and the use of fund balance were adjusted accordingly.

Actual results were better than expected and the ending fund balance exceeded anticipated final amended budget amounts by \$1,031,568. While the factors affecting such a variance are too numerous to list individually, the following constitute the most significant events contributing to this variance:

- Special education cost reimbursement funded from the Washtenaw Intermediate School District tax was larger than expected.
- During the year, overall the District made a concerted effort to scale back all unnecessary expenses.
- The District continues to experience a number of unpaid leaves of absence (medical, maternity, worker's comp, etc.), which were covered by substitutes. This affects the salary and benefit costs for the district.
- Difficulty in filling special education positions contributed to lesser expense from the use of substitutes in some unfilled positions.
- Some of the grants that overlap fiscal years were budgeted to be fully spent in 2007-08. Portions of these grants were deferred for spending in a subsequent period.
- Capital asset replacements, including school buses, copiers, etc., were postponed.

Although better than expected results are certainly a welcome event during tenuous financial times, much of the savings realized during the fiscal year constitute *one-time, unplanned* occurrences. Financial results do not represent the costs to operate the District at full capacity in subsequent fiscal years.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2008, totaled \$107,593,972 (net of accumulated depreciation), as compared to prior year's investment of \$110,900,848. This investment in capital assets includes land, buildings, vehicles and equipment.

The major capital asset expenditures during the current fiscal year were the following:

- \$13,000 for a storage shed to store bulk salt for winter usage.
- \$84,000 for new computer equipment
- \$14,000 for risers for the High School choir room

District's Capital Assets (net of depreciation)

	<u>2007-08</u>	<u>2006-07</u>
Land	\$ 1,889,750	\$ 1,889,750
Land improvements	622,606	669,199
Construction	101,614,973	104,159,227
Machinery & equipment	3,017,096	3,584,091
Vehicles	<u>449,547</u>	<u>598,581</u>
Total	<u>\$ 107,593,972</u>	<u>\$ 110,900,848</u>

Additional information on the District's capital assets can be found in note III.C of the financial statements.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$79,590,585. Of this amount, \$440,585 is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitations, and is payable solely from state aid payments from the State of Michigan.

The District's total bonded debt decreased by \$3,480,000 during the current fiscal year. Total debt outstanding was reduced by regularly scheduled principle payments. The District also refunded \$14,830,000 of its 1998 refunding bonds in order to take advantage of an economic gain of \$763,705 in this partial refunding.

The District reduced the amount owed to the State of Michigan School Bond Loan Fund by \$207,639 during the current fiscal year. At June 30, 2008 the loan balance was \$10,376,553.

Additional information on the District's long-term debt can be found in note III.F of the financial statements.

Factors Bearing on the District's Future

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2008-09 fiscal year:

- The 08/09 foundation allowance will increase by \$112 per pupil to \$7,316. The district has taken steps to increase enrollment by accepting out-of-district students through the "School of Choice" program. Challenges remain however, in maintaining a level student population due to competition from local charter schools and other School of Choice districts, as well as the slowdown in area population growth.. Future state revenues continue to be uncertain because of the unfavorable economic outlook in the State of Michigan.
- Three bargaining units have unsettled contracts for the 08-09 school year. The support staff, teacher and transportation employee agreements expired at the end of June, 2008. Budgetary assumptions for wage and benefit levels for this group may require revision pending final contract settlement.
- The retirement rate of 16.72% will decrease by 1%, to 16.54% of employee wages beginning October 1, 2008.
- Bus replacement and Language Arts curriculum upgrades have been budgeted for the 2008-09 school year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business Services, 8970 Whittaker Road, Ypsilanti, Michigan 48197.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Lincoln Consolidated Schools
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,820,755
Receivables (net)	8,722,756
Prepays	130,632
Inventories	113,988
Total current assets	<u>11,788,131</u>
Noncurrent assets:	
Capital assets not being depreciated	1,889,750
Capital assets being depreciated	143,979,877
Less: accumulated depreciation	<u>(38,275,655)</u>
Total noncurrent assets	<u>107,593,972</u>
Total assets	<u>119,382,103</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	2,438,037
Salaries payable	3,841,381
Unearned revenue	288,174
Current portion of long-term obligations	3,001,527
Total current liabilities	<u>9,569,119</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	87,030,996
Accrued sick leave payable	2,333,728
Total noncurrent liabilities	<u>89,364,724</u>
Total liabilities	<u>98,933,843</u>
Net assets	
Invested in capital assets, net of related debt	18,002,034
Restricted for:	
Debt service	438,475
Construction projects	488,658
Other purposes	84,720
Unrestricted	<u>1,434,373</u>
Total net assets	<u>\$ 20,448,260</u>

The accompanying notes are an integral part of these financial statements.

Lincoln Consolidated Schools
Statement of Activities
For the Year Ended June 30, 2008

Functions / Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Basic programs	\$ 22,250,422	\$ -	\$ 1,037,997	\$ -	\$ (21,212,425)
Added needs	7,106,931	-	6,746,972	-	(359,959)
Total instruction	29,357,353	-	7,784,969	-	(21,572,384)
Support services:					
Pupil	4,410,870	-	10,453	-	(4,400,417)
Instructional support	1,431,694	-	8,701	-	(1,422,993)
General administration	505,265	-	-	-	(505,265)
School administration	2,350,869	-	-	-	(2,350,869)
Business	746,291	-	-	-	(746,291)
Maintenance	4,126,544	-	-	-	(4,126,544)
Transportation	2,614,161	-	-	-	(2,614,161)
Central services	815,839	-	-	-	(815,839)
Other support services	(5,094)	-	-	-	5,094
Total support services	16,996,439	-	19,154	-	(16,977,285)
Food service	1,233,579	588,604	693,532	-	48,557
Athletics	683,757	167,769	-	-	(515,988)
Community service	118,162	142,937	10,961	-	35,736
Depreciation - unallocated	3,242,441	-	-	-	(3,242,441)
Interest on long-term debt	4,472,069	-	-	-	(4,472,069)
Total governmental activities	\$ 56,103,800	\$ 899,310	\$ 8,508,616	\$ -	\$ (46,695,874)

Continued

The accompanying notes are an integral part of these financial statements.

Lincoln Consolidated Schools
Statement of Activities (concluded)
For the Year Ended June 30, 2008

	<u>Governmental Activities</u>
Changes in net assets	
Net (expense)	<u>\$ (46,695,874)</u>
General revenues:	
Property taxes	11,837,829
Unrestricted state school aid	33,137,035
Grants and contributions not restricted to specific programs	282,239
Unrestricted investment earnings	529,292
Gain on sale of capital assets	<u>13,260</u>
Total general revenues	<u>45,799,655</u>
Change in net assets	(896,219)
Net assets, beginning of year	<u>21,344,479</u>
Net assets, end of year	<u><u>\$ 20,448,260</u></u>
	Concluded

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Lincoln Consolidated Schools
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Food Service	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 1,645,099	\$ 197,168	\$ 978,488	\$ 2,820,755
Due from other funds	31,481	7,363	7,075	45,919
Accounts receivable	1,612,203	1,159	-	1,613,362
Due from other governmental units	6,644,217	23,870	441,307	7,109,394
Prepays	126,651	2,925	1,056	130,632
Inventories	112,338	1,650	-	113,988
<u>TOTAL ASSETS</u>	\$ 10,171,989	\$ 234,135	\$ 1,427,926	\$ 11,834,050
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 393,902	\$ 145,622	\$ 3,181	\$ 542,705
Due to other funds	14,413	10,045	21,461	45,919
Salaries payable	3,836,679	-	4,702	3,841,381
Accrued expenses	1,269,824	-	6,291	1,276,115
Deferred revenue	269,853	5,688	453,218	728,759
Total liabilities	5,784,671	161,355	488,853	6,434,879
Fund Balances				
Reserved for inventories and prepaids	238,989	4,575	1,056	244,620
Unreserved, undesignated	4,148,329	68,205	-	4,216,534
Unreserved, undesignated, reported in nonmajor:				
Special revenue funds	-	-	10,884	10,884
Debt service funds	-	-	438,475	438,475
Capital project funds	-	-	488,658	488,658
Total fund balances	4,387,318	72,780	939,073	5,399,171
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 10,171,989	\$ 234,135	\$ 1,427,926	\$ 11,834,050

The accompanying notes are an integral part of these financial statements.

Lincoln Consolidated Schools
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2008

Fund balances - total governmental funds	\$ 5,399,171
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	145,869,627
Deduct: accumulated depreciation	(38,275,655)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balances.

Add: fully deferred receivables	440,585
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds. In addition, funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are capitalized on the statement of net assets and amortized.

Deduct: bonds payable and related deferred amounts	(90,032,523)
Deduct: accrued interest on bonds payable	(619,217)
Deduct: compensated absences	(2,333,728)

Net assets of governmental activities	\$ 20,448,260
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The accompanying notes are an integral part of these financial statements.

Lincoln Consolidated Schools
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2008

	General Fund	Food Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ 4,422,538	\$ -	\$ 7,415,291	\$ 11,837,829
Interest income	171,470	5,733	165,715	342,918
Food sales	-	588,604	-	588,604
Special education tax - WISD	5,288,652	-	-	5,288,652
Other local sources	282,239	-	321,667	603,906
State sources	34,175,032	89,020	-	34,264,052
Federal sources	1,477,474	604,512	-	2,081,986
Total revenues	45,817,405	1,287,869	7,902,673	55,007,947
Expenditures				
Instruction:				
Basic programs	22,146,636	-	-	22,146,636
Added needs	7,060,608	-	-	7,060,608
Total instruction	29,207,244	-	-	29,207,244
Support services:				
Pupil	4,384,748	-	-	4,384,748
Instructional support	1,437,470	-	-	1,437,470
General administration	512,363	-	-	512,363
School administration	2,328,657	-	-	2,328,657
Business	809,365	-	-	809,365
Maintenance	4,201,107	-	-	4,201,107
Transportation	2,433,472	-	-	2,433,472
Central services	807,365	-	-	807,365
Total support services	16,914,547	-	-	16,914,547
Food service	-	1,215,628	-	1,215,628
Athletics	-	-	619,113	619,113
Community service	30,664	-	149,695	180,359
Debt service	-	-	7,306,679	7,306,679
Capital outlay and repairs	-	-	215,619	215,619
Total expenditures	46,152,455	1,215,628	8,291,106	55,659,189
Revenues over (under) expenditures	(335,050)	72,241	(388,433)	(651,242)
Other financing sources (uses)				
Note/bond proceeds	-	-	14,125,000	14,125,000
Bond premium	-	-	963,102	963,102
Payment to escrow agent	-	-	(15,099,109)	(15,099,109)
Proceeds from sale of capital assets	13,260	-	-	13,260
Transfers in	-	-	883,411	883,411
Transfers out	(446,154)	-	(437,257)	(883,411)
	(432,894)	-	435,147	2,253
Net change in fund balances	(767,944)	72,241	46,714	(648,989)
Fund balance, beginning of year	5,155,262	539	892,359	6,048,160
Fund balance, end of year	\$ 4,387,318	\$ 72,780	\$ 939,073	\$ 5,399,171

The accompanying notes are an integral part of these financial statements.

Lincoln Consolidated Schools
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$	(648,989)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		132,245
Deduct: depreciation expense		(3,439,121)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In addition, funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are capitalized and amortized on the statement of activities.

Add: principal payments on long-term liabilities		3,455,000
Deduct: interest accrued on School Bond Loan Fund		(472,361)
Add: amortization of bond premium		186,374
Deduct: amortization of bond issuance costs		(17,732)
Deduct: amortization of deferred loss on refunding		(158,234)
Deduct: refunding bond proceeds		(14,125,000)
Add: payment to refunding bond escrow agent		15,099,109
Deduct - premium on refunding bonds		(963,102)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on bonds		27,937
Add: decrease in the accrual for compensated absences		27,655

Change in net assets of governmental activities	\$	(896,219)
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The accompanying notes are an integral part of these financial statements.

Lincoln Consolidated Schools
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Local sources:				
Property taxes	\$ 4,603,403	\$ 4,400,715	\$ 4,422,538	\$ 21,823
Interest income	120,000	169,100	171,470	2,370
Special education tax - WISD	4,530,000	4,639,800	5,288,652	648,852
Other local sources	145,244	314,406	282,239	(32,167)
State sources	33,554,201	34,469,817	34,175,032	(294,785)
Federal sources	1,516,740	1,692,229	1,477,474	(214,755)
Total revenues	44,469,588	45,686,067	45,817,405	131,338
Expenditures				
Instruction:				
Basic programs	22,500,695	22,447,942	22,146,636	(301,306)
Added needs	6,914,169	7,281,385	7,060,608	(220,777)
Total instruction	29,414,864	29,729,327	29,207,244	(522,083)
Support services:				
Pupil	4,631,008	4,546,162	4,384,748	(161,414)
Instructional support	1,656,275	1,512,745	1,437,470	(75,275)
General administration	383,465	515,237	512,363	(2,874)
School administration	2,417,711	2,373,547	2,328,657	(44,890)
Business	844,468	811,553	809,365	(2,188)
Maintenance	3,486,208	4,269,365	4,201,107	(68,258)
Transportation	2,578,410	2,452,394	2,433,472	(18,922)
Central services	873,682	816,901	807,365	(9,536)
Other support services	15,932	-	-	-
Total support services	16,887,159	17,297,904	16,914,547	(383,357)
Community service	16,175	34,848	30,664	(4,184)
Total expenditures	46,318,198	47,062,079	46,152,455	(909,624)
Revenues over (under) expenditure:	(1,848,610)	(1,376,012)	(335,050)	1,040,962
Other financing sources uses				
Sale of capital assets	2,000	8,500	13,260	(4,760)
Transfers out	(210,000)	(432,000)	(446,154)	14,154
	(208,000)	(423,500)	(432,894)	9,394
Net change in fund balance	(2,056,610)	(1,799,512)	(767,944)	1,031,568
Fund balance, beginning of year	5,155,262	5,155,262	5,155,262	-
Fund balance, end of year	\$ 3,098,652	\$ 3,355,750	\$ 4,387,318	\$ 1,031,568

The accompanying notes are an integral part of these financial statement

Lincoln Consolidated Schools
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Food Service Special Revenue Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final Budget</u>
Revenues				
Local sources:				
Food sales	\$ 676,017	\$ 575,317	\$ 588,604	\$ 13,287
Interest income	3,500	5,600	5,733	133
State sources	72,998	86,215	89,020	2,805
Federal sources	541,767	531,767	604,512	72,745
Total revenues	1,294,282	1,198,899	1,287,869	88,970
Expenditures				
Food services	1,221,568	1,180,065	1,215,628	35,563
Revenues over (under) expenditures	72,714	18,834	72,241	53,407
Other financing sources uses				
Transfers in	-	-	-	-
Net change in fund balance	72,714	18,834	72,241	53,407
Fund balance, beginning of year	539	539	539	-
Fund balance, end of year	<u>\$ 73,253</u>	<u>\$ 19,373</u>	<u>\$ 72,780</u>	<u>\$ 53,407</u>

The accompanying notes are an integral part of these financial statements.

Lincoln Consolidated Schools
Statement of Fiduciary Assets and Liabilities
June 30, 2008

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 604,110</u>
Liabilities	
Due to student groups	<u>\$ 604,110</u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Lincoln Consolidated Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statements No. 14 and No. 39 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *food service fund* accounts for the activities of the food service operation at the various cafeteria locations. The direct costs of this program are funded by state and federal grants and by revenue from student/staff sales.

Additionally, the District reports the following fund types:

The *athletics fund* accounts for the activities of the District's extra-curricular athletics programs. These programs are heavily subsidized by transfers from the general fund.

The *community services fund* accounts for community recreation and senior citizen programs. Community recreation is funded by participant fees and the senior citizen program is funded by grants and contributions from local governments.

The *debt service* funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The *capital projects* fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements.

The *agency fund* accounts for assets held for other groups and organizations and are custodial in nature.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, liabilities and equity

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Construction	25-50
Machinery and equipment	5-20
Licensed vehicles	8

5. *Compensated absences*

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefits are accrued based on various contract stipulations and lengths of service for the following bargaining units:

	<u>Sick Pay</u>	<u>Vacation</u>
Administration	50-75%	100%
Support Staff	25-75%	100%
Teachers	0-75%	N/A
Transportation	25-50%	100%

In addition, the District's Superintendent and Teacher's bargaining unit are entitled to severance payouts upon separation from the District. Payouts are available based upon certain lengths of service and range from 0.5% to 2.0% of salary.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

6. *Long-term obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are capitalized and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

All annual appropriations lapse at fiscal year end.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

B. Excess of expenditures over appropriations

During the year ended June 30, 2008, the District incurred expenditures in excess of the amount appropriated as follows:

	Final Budget	Actual	Unfavorable Difference
General Fund -			
Community service	\$ 30,272	\$ 30,664	\$ 392
Transfers out	432,000	446,154	14,154
Food Service Special Revenue Fund -			
Food Services	1,180,065	1,215,628	35,563

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 2,820,755
Statement of Fiduciary Net Assets	
Cash and cash equivalents	<u>604,110</u>
	<u>\$ 3,424,865</u>
Cash on hand	\$ 1,206
Investments	<u>3,423,659</u>
	<u>\$ 3,424,865</u>

Statutory Authority

State statutes authorize the District to invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments included in various funds.

<u>Investment</u>	<u>Interest</u>		<u>Fair Value</u>	<u>Rating</u>
	<u>Rate</u>	<u>Maturity</u>		
Michigan Liquid Asset Fund	n/a	n/a	\$ 3,423,659	S&P - AAAM

Investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The above investments are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. The District had all its investments in the Michigan Liquid Asset fund at June 30, 2008.

B. Receivables

Receivables in the governmental activities are approximately 82 percent due from other governments and 18 percent other receivables. Except for \$399,058 of due from other governmental units, these receivables are expected to be collected within the next fiscal year.

C. Capital assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,889,750	\$ -	\$ -	\$ 1,889,750
Capital assets being depreciated:				
Land improvements	1,603,269	6,440	-	1,609,709
Construction	130,897,297	22,460	166,429	130,753,328
Machinery and equipment	8,385,601	103,345	-	8,488,946
Licensed vehicles	3,216,298	-	88,404	3,127,894
Total capital assets being depreciated	144,102,465	132,245	254,833	143,979,877
Less accumulated depreciation for:				
Land improvements	(934,070)	(53,033)	-	(987,103)
Construction	(26,738,070)	(2,566,714)	166,429	(29,138,355)
Machinery and equipment	(4,801,510)	(670,340)	-	(5,471,850)
Licensed vehicles	(2,617,717)	(149,034)	88,404	(2,678,347)
Total accumulated depreciation	(35,091,367)	(3,439,121)	254,833	(38,275,655)
Total capital assets being depreciated, net	109,011,098	(3,306,876)	-	105,704,222
Governmental activities capital assets, net	\$ 110,900,848	\$ (3,306,876)	\$ -	\$ 107,593,972

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Food Service	\$ 17,951
Support services - Transportation	178,729
Depreciation - unallocated	<u>3,242,441</u>
Total depreciation expense – governmental activities	<u><u>\$ 3,439,121</u></u>

D. Payables

Accounts payable and accrued liabilities in the governmental activities are as follows:

Vendors	\$ 542,705
Fringe benefits, payroll withholdings and other accrued items	1,276,115
Accrued interest on debt	<u>619,217</u>
	<u><u>\$ 2,438,037</u></u>

E. Interfund receivables, payables and transfers

For the year ended June 30, 2008, interfund receivables/payables consisted of the following:

	<u>Due from</u>			
	General Fund	Food Service Fund	Non-major Funds	Total
Due to:				
General Fund	\$ -	\$ 7,363	\$ 7,050	\$ 14,413
Food Service Fund	10,045	-	-	10,045
Nonmajor Funds	21,436	-	25	21,461
Total	<u><u>\$ 31,481</u></u>	<u><u>\$ 7,363</u></u>	<u><u>\$ 7,075</u></u>	<u><u>\$ 45,919</u></u>

For the year ended June 30, 2008, interfund transfers consisted of the following:

	<u>Transfer in</u>	
	Nonmajor Funds	Total
Transfer out:		
General Fund	\$ 446,154	\$ 446,154
Nonmajor Funds	437,257	437,257
Total	<u><u>\$ 883,411</u></u>	<u><u>\$ 883,411</u></u>

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2008, the District transferred funds to subsidize the athletics program.

F. Long-term debt

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General Obligation bonds	\$ 83,070,585	\$ 14,125,000	\$ 17,605,000	\$ 79,590,585	\$ 3,001,527
Deferred amounts	(618,200)	693,993	10,408	65,385	-
School Bond loan fund	10,584,192	472,361	680,000	10,376,553	-
Compensated absences	2,361,383	118,389	146,044	2,333,728	-
	<u>\$ 95,397,960</u>	<u>\$ 15,409,743</u>	<u>\$ 18,441,452</u>	<u>\$ 92,366,251</u>	<u>\$ 3,001,527</u>

Bonds payable at June 30, 2008, are comprised of the following issues:

General Obligation Bonds:

\$5,505,000 1998 Refunding Bonds, due in annual installments of \$1,165,000 to \$1,550,000 through the year 2011; interest at 4.45% to 5.00%	\$ 4,340,000
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LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

\$27,250,000 2001 Building and Site Bonds, due in annual installments of \$675,000 to \$1,150,000 through the year 2031; interest at 4.00% to 5.00%	\$ 6,225,000
\$3,490,000 2004 Refunding Bonds, due in annual installments of \$40,000 to \$270,000 through the year 2021; interest at 2.00% to 4.25%	3,145,000
\$18,255,000 2005 Refunding Bonds, due in annual installments of \$665,000 to \$2,645,000 through the year 2020; interest at 3.50% to 5.00%	18,255,000
\$24,120,000 2006 Refunding Bonds, due in annual installments of \$1,835,000 to \$2,755,000 through the year 2027; interest at 4.25% to 5.00%	24,120,000
\$9,000,000 2007 Refunding Bonds, due in annual installments of \$60,000 to \$1,175,000 through the year 2031; interest at 4.00% to 4.25%	8,940,000
\$14,125,000 2008 Refunding Bonds, due in annual installments of \$1,335,000 to \$1,485,000 through the year 2021; interest at 5.00%.	14,125,000
* \$746,169 1998 Durant School Improvement Bonds, due in annual installments of \$32,901 to \$67,381 through the year 2013; interest at 4.76%	<u>440,585</u>
	<u>\$ 79,590,585</u>

- * The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 3,001,527	\$ 3,726,177	\$ 6,727,704
2010	3,118,502	3,598,976	6,717,478
2011	3,245,574	3,463,348	6,708,922
2012	3,509,968	3,407,998	6,917,966
2013	3,420,014	3,170,981	6,590,995
2014-2018	19,325,000	13,252,086	32,577,086
2019-2023	20,865,000	8,141,390	29,006,390
2024-2028	19,555,000	3,420,516	22,975,516
2029-2031	3,550,000	300,690	3,850,690
	<u>\$ 79,590,585</u>	<u>\$ 42,482,162</u>	<u>\$ 122,072,747</u>

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the Debt Service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2008, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 9,119,280	\$ 1,464,912	\$ 10,584,192
Additions	-	472,361	472,361
Reductions	<u>(680,000)</u>	<u>-</u>	<u>(680,000)</u>
Ending balance	<u>\$ 8,439,280</u>	<u>\$ 1,937,273</u>	<u>\$ 10,376,553</u>

Compensated absences are generally liquidated by the general fund.

Advance Refunding

In the current and prior years, the District defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net assets.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

During the year ended June 30, 2008, the District defeased \$14,830,000 of its 1998 Refunding bonds. The balance of defeased bonds outstanding as of June 30, 2008 was \$89,760,000, which represents amounts placed in escrow as part of the 1998, 2004, 2005, 2006, 2007 and 2008 debt refundings.

The current year refunding was undertaken to reduce total debt service expenditures over the next 22 years by \$1,036,898 and resulted in an economic gain of \$763,705.

G. Commitments and Contingencies

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2008.

IV. OTHER INFORMATION

A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and is self-insured for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

An independent third party administers the District's self-insured workers' compensation program.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2008</u>	<u>2007</u>
Accrued claims, beginning of year	\$ 259,474	\$ 233,385
Incurred claims and changes in estimates	127,403	196,746
Claim payments	<u>(80,749)</u>	<u>(170,657)</u>
Accrued claims, end of year	<u>\$ 306,128</u>	<u>\$ 259,474</u>

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied by Augusta, Van Buren, York and Ypsilanti Townships on July 1, and on December 1 by Sumpter Township. All five townships have boundaries that include property within the District. All levies become delinquent on February 14. The Delinquent Tax Revolving Funds of Washtenaw and Wayne Counties advance delinquent real taxes to the District.

C. Defined benefit pension plan

Plan Description

The Lincoln Consolidated Schools contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The Lincoln Consolidated Schools is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.72% of annual covered payroll. The contribution requirements of plan members and the Lincoln Consolidated Schools are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPERS for the years ended June 30, 2008, 2007 and 2006 were \$4,710,602, \$4,973,347 and \$4,431,596, respectively, equal to the required contributions for each year.

Other Postemployment Benefits

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

LINCOLN CONSOLIDATED SCHOOLS

Notes to the Financial Statements

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

D. Bonded Construction Costs

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

E. Subsequent event

On August 20, 2008, the District borrowed \$1,200,000 on a state aid note. The note bears interest at 1.7%, and is due August 20, 2009.

* * * * *

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

Lincoln Consolidated Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue</u>			<u>Debt</u>	
	<u>Athletics</u>	<u>Community Services</u>	<u>1998 Refunding</u>	<u>1998</u>	<u>2001</u>
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 5,980	\$ 23,505	\$ 135,083	\$ -	\$ 83,920
Due from other funds	7,050	25	-	-	-
Due from other governmental unit	722	-	-	-	-
Prepays	-	1,056	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 13,752</u>	<u>\$ 24,586</u>	<u>\$ 135,083</u>	<u>\$ -</u>	<u>\$ 83,920</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 1,067	\$ 1,644	\$ -	\$ -	\$ -
Due to other funds	-	61	20,300	-	250
Salaries payable	4,702	-	-	-	-
Accrued expenses	845	5,446	-	-	-
Deferred revenue	468	12,165	-	-	-
Total liabilities	<u>7,082</u>	<u>19,316</u>	<u>20,300</u>	<u>-</u>	<u>250</u>
Fund balances					
Reserved for prepaid expenditures	-	1,056	-	-	-
Unreserved and undesignated	<u>6,670</u>	<u>4,214</u>	<u>114,783</u>	<u>-</u>	<u>83,670</u>
Total fund balances	<u>6,670</u>	<u>5,270</u>	<u>114,783</u>	<u>-</u>	<u>83,670</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 13,752</u>	<u>\$ 24,586</u>	<u>\$ 135,083</u>	<u>\$ -</u>	<u>\$ 83,920</u>

Service						Capital Projects	Total Nonmajor Governmental Funds
2004 Refunding	2005 Refunding	2006 Refunding	2007 Refunding	2008 Refunding	Durant Debt Service	2001 Capital Projects	
\$ 33,140	\$ 46,190	\$ 102,744	\$ 25,117	\$ 33,681	\$ -	\$ 489,128	\$ 978,488
-	-	-	-	-	-	-	7,075
-	-	-	-	-	440,585	-	441,307
-	-	-	-	-	-	-	1,056
<u>\$ 33,140</u>	<u>\$ 46,190</u>	<u>\$ 102,744</u>	<u>\$ 25,117</u>	<u>\$ 33,681</u>	<u>\$ 440,585</u>	<u>\$ 489,128</u>	<u>\$ 1,427,926</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 470	\$ 3,181
525	-	-	-	325	-	-	21,461
-	-	-	-	-	-	-	4,702
-	-	-	-	-	-	-	6,291
-	-	-	-	-	440,585	-	453,218
<u>525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325</u>	<u>440,585</u>	<u>470</u>	<u>488,853</u>
-	-	-	-	-	-	-	1,056
32,615	46,190	102,744	25,117	33,356	-	488,658	938,017
<u>32,615</u>	<u>46,190</u>	<u>102,744</u>	<u>25,117</u>	<u>33,356</u>	<u>-</u>	<u>488,658</u>	<u>939,073</u>
<u>\$ 33,140</u>	<u>\$ 46,190</u>	<u>\$ 102,744</u>	<u>\$ 25,117</u>	<u>\$ 33,681</u>	<u>\$ 440,585</u>	<u>\$ 489,128</u>	<u>\$ 1,427,926</u>

Lincoln Consolidated Schools
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue			Debt	
	Athletics	Community Services	1998 Refunding	1998	2001
Revenues					
Local sources:					
Property taxes	\$ -	\$ -	\$ 2,364,971	\$ 765,637	\$ 1,115,619
Interest income	1,628	1,067	43,520	18,079	23,300
Other local sources	167,769	153,898	-	-	-
Total revenues	169,397	154,965	2,408,491	783,716	1,138,919
Expenditures					
Athletics	619,113	-	-	-	-
Community services	-	149,695	-	-	-
Debt service:					
Principal	-	-	1,280,000	731,000	776,500
Interest and other	-	-	639,893	43,359	317,051
Capital outlay and repairs	-	-	-	-	-
Total expenditures	619,113	149,695	1,919,893	774,359	1,093,551
Revenue over (under) expenditures	(449,716)	5,270	488,598	9,357	45,368
Other financing sources					
Note/bond proceeds	-	-	-	-	-
Bond premium	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-
Transfers in	446,154	-	-	300	-
Transfers out	-	-	(404,495)	(32,462)	-
Total other financing sources	446,154	-	(404,495)	(32,162)	-
Net change in fund balances	(3,562)	5,270	84,103	(22,805)	45,368
Fund balance, beginning of year	10,232	-	30,680	22,805	38,302
Fund balance, end of year	\$ 6,670	\$ 5,270	\$ 114,783	\$ -	\$ 83,670

Service						Capital Projects	Total Nonmajor Governmental Funds
2004 Refunding	2005 Refunding	2006 Refunding	2007 Refunding	2008 Refunding	Durant Debt Service	2001 Capital Projects	
\$ 385,236	\$ 986,334	\$ 1,286,941	\$ 476,520	\$ 34,033	\$ -	\$ -	\$ 7,415,291
8,721	16,167	19,096	7,224	888	-	26,025	165,715
-	-	-	-	-	-	-	321,667
393,957	1,002,501	1,306,037	483,744	34,921	-	26,025	7,902,673
-	-	-	-	-	-	-	619,113
-	-	-	-	-	-	-	149,695
276,000	115,500	119,400	102,900	53,700	-	-	3,455,000
119,710	867,494	1,149,119	373,700	341,353	-	-	3,851,679
-	-	-	-	-	-	215,619	215,619
395,710	982,994	1,268,519	476,600	395,053	-	215,619	8,291,106
(1,753)	19,507	37,518	7,144	(360,132)	-	(189,594)	(388,433)
-	-	-	-	14,125,000	-	-	14,125,000
-	-	-	-	963,102	-	-	963,102
-	-	-	-	(15,099,109)	-	-	(15,099,109)
-	-	32,462	-	404,495	-	-	883,411
(300)	-	-	-	-	-	-	(437,257)
(300)	-	32,462	-	393,488	-	-	435,147
(2,053)	19,507	69,980	7,144	33,356	-	(189,594)	46,714
34,668	26,683	32,764	17,973	-	-	678,252	892,359
\$ 32,615	\$ 46,190	\$ 102,744	\$ 25,117	\$ 33,356	\$ -	\$ 488,658	\$ 939,073

SINGLE AUDIT

LINCOLN CONSOLIDATED SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued (Deferred) Beginning of Year	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued, (Deferred) End of Year
U.S. DEPARTMENT OF EDUCATION								
Smaller Learning Communities	84.215	V215L040063	\$ 48,441	\$ -	7,105	\$ 7,105	\$ -	\$ -
Passed-through Michigan Department of Education:								
2006-07 Title I, Part A Regular	84.010	071530-0607	261,261	79,131		79,131	-	-
2007-08 Title I, Part A Regular	84.010	081530-0708	306,357			206,498	267,853	61,355
				79,131	-	285,629	267,853	61,355
2006-07 Service Provider Self Review	84.027A	070440-0607	5,500	5,500	-	5,500	-	-
2007-08 Title V, Part A	84.298	080250-0708	2,048	-	-	-	2,034	2,034
2005-06 Title II, Part D Carryover	84.318	064290-0607	879	470	-	470	-	-
2006-07 Title II, Part D Regular	84.318	074290-0607	2,682	470	-	470	-	-
2007-08 Title II, Part D Regular	84.318	084290-0708	4,588			1,243	1,596	353
				940	-	2,183	1,596	353
2005-06 Title II, Part A Carryover	84.367	060520-0607	77,682	60,366	-	60,366	-	-
2006-07 Title II, Part A Regular	84.367	070520-0607	105,138	1,932	-	1,932	-	-
2007-08 Title II, Part A Regular	84.367	080520-0708	135,211	-	-	84,310	94,661	10,351
				62,298	-	146,608	94,661	10,351
Passed-through Washtenaw Intermediate School District:								
2006-07 IDEIA Carryover	84.027	060450-0607	76,844	16,365		16,365	-	-
2006-07 IDEIA Flowthrough	84.027	070450-0607	1,076,513	250,890	-	250,890	-	-
2007-08 IDEIA Flowthrough	84.027	080450-0708	1,149,231	-	-	643,652	1,017,114	373,462
				267,255	-	910,907	1,017,114	373,462
2006-07 Preschool Carryover	84.173	060460-0506	164	26	-	26	-	-
2006-07 Preschool Incentive	84.173	070460-0607	32,510	9,948	-	9,948	-	-
2007-08 Preschool Incentive	84.173	080460-0708	41,155	-	-	23,739	40,323	16,584
				9,974	-	33,713	40,323	16,584
2006-07 Early On	84.181A	061340-190	25,841	4,880		4,880	-	-
2007-08 Early On	84.181A	081340-190	25,841	-		14,746	24,679	9,933
				4,880	-	19,626	24,679	9,933
Passed-through Monroe Public Schools								
2007-08 Title III Limited English	84.365	-n/a-	11,656	-	-	11,656		-

continued...

LINCOLN CONSOLIDATED SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued (Deferred) Beginning of Year	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued, (Deferred) End of Year
Passed-through Livingston Educational Service Agency:								
2006-07 Title IV, Safe/ Drug-Free Schools	84.186	-n/a-	11,894	5,840	-	5,840	-	-
2007-08 Title IV Safe/Drug-Free Schools	84.186	-n/a-	13,374	-	-	-	8,083	8,083
				5,840	-	5,840	8,083	8,083
Total U.S. Department of Education				435,818	7,105	1,428,767	1,467,999	482,155
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed-through Washtenaw County:								
2006-07 Headstart	93.600	-n/a-	232,353	66,520	-	66,520	-	-
U.S. DEPARTMENT OF AGRICULTURE								
Passed-through Michigan Department of Education:								
2006-07 School Breakfast	10.553	071970	98,245	17,559	-	17,559	-	-
2007-08 School Breakfast	10.553	071970	114,529	-	-	114,529	118,534	4,005
				17,559	-	132,088	118,534	4,005
National School Lunch:								
2006-07 Section 4	10.555	071950	66,971	10,139	-	10,139	-	-
2006-07 Section 11	10.555	071960	340,185	54,233	-	54,233	-	-
2007-08 Section 4	10.555	081950	64,652	-	-	64,652	64,965	313
2007-08 Section 11	10.555	081960	356,614	-	-	356,614	364,931	8,317
				64,372	-	485,638	429,896	8,630
Child Care Food Program:								
2006-07 Child Care Cash in Lieu	10.558	072010	1,821	-	-	27	27	-
Food Distribution - Direct Program:								
Entitlement commodities	10.550	81070	46,643	-	-	56,055	56,055	-
Bonus commodities	10.550	81070	-	-	-	-	-	-
				-	-	56,055	56,055	-
Total U.S. Department of Agriculture				81,931	-	673,808	604,512	12,635
Total Expenditures of Federal Awards				\$ 584,269	\$ 7,105	\$ 2,169,095	\$ 2,072,511	\$ 494,790

LINCOLN CONSOLIDATED SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

1. SECTION I - SUMMARY OF AUDITORS' RESULTS

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Lincoln Consolidated Schools (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of Lincoln Consolidated Schools is defined in Note 1 of the District's basic financial statements.

The amounts reported on the R7120 (Grant Section Auditor's Report) reconcile with this schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note I of the District's basic financial statements.

3. RECONCILIATION

Amount Reported on the Schedule of Expenditures of Federal Awards	\$2,074,881
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Amount inadvertently recorded as received in prior years that was received and recorded in the current year.	<u>7,105</u>
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Amount reported as Federal Revenue	<u>\$2,081,986</u>
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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

September 16, 2008

Board of Education
Lincoln Consolidated Schools
Ypsilanti, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **LINCOLN CONSOLIDATED SCHOOLS** as of and for the year ended June 30, 2008, and have issued our report thereon dated September 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln Consolidated Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln Consolidated Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Lincoln Consolidated Schools in a separate letter dated September 16, 2008.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

September 16, 2008

Board of Education
Lincoln Consolidated Schools
Ypsilanti, Michigan

Compliance

We have audited the compliance of **LINCOLN CONSOLIDATED SCHOOLS** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Lincoln Consolidated Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lincoln Consolidated Schools' management. Our responsibility is to express an opinion on Lincoln Consolidated Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln Consolidated Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lincoln Consolidated Schools' compliance with those requirements.

In our opinion, Lincoln Consolidated Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Lincoln Consolidated Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln Consolidated Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

LINCOLN CONSOLIDATED SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency (ies) identified
not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements
noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency (ies) identified
not considered to be material weaknesses? yes X none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

LINCOLN CONSOLIDATED SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS

2007-1 Annual On-Site Review

The District has implemented annual on-site reviews for all buildings for the year ended June 30, 2008.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



September 16, 2008

To the Board of Education of the
Lincoln Consolidated Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Lincoln Consolidated Schools* (the “District”) for the year ended June 30, 2008, and have issued our report thereon dated September 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated July 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the District’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District’s compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 17, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the Lincoln Consolidated Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Lincoln Consolidated Schools

Comments and Recommendations

For the Year Ended June 30, 2008

In planning and performing our audit of the financial statements of the Lincoln Consolidated Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Matters

Bank Reconciliations

During the conduction of our audit procedures and testing, it was noted that bank reconciliations were not being completed in a timely fashion. We recommend that the District complete bank reconciliations within 6 weeks of month end.

Payroll Process and Approval

Currently, payroll registers are being approved by the Director of Business Services on a departmental level. In order to enhance internal controls we recommend that the payroll register detailed by employee be scanned and approved before the payroll is finalized, and that this step be documented on the payroll register.

Lincoln Consolidated Schools

Comments and Recommendations

For the Year Ended June 30, 2008

Additionally, for payroll changes that are processed by the payroll clerks, there should be a review by someone independent of the payroll clerks that the information has been posted correctly into the system, or alternatively, a maintenance report should be generated off the system that summarizes all pay system master file changes for each current pay to be reviewed by someone other than the payroll clerks.

Athletics and Community Education cash receipt processes

Presently, the Athletics Secretary processes Athletics receipts and prepares a reconciliation report of the amounts collected before the deposit is sent to the Business Office. This report does not go to the central business office for further verification.

We recommend that the reconciliation report be sent to the central business office where the cash collected as indicated on the report can be independently verified to the actual deposit slip.

As noted in prior years, the Community Education Clerk processes Community Education receipts and runs a registration report for the amounts collected.

We recommend that there be another individual independent of the Community Education Clerk that does a check of the money collected against the registration reports. This can be accomplished by having someone in the Business Office run a report from the software whereby the cash collected will be able to be compared with the actual deposit slip.

Accounts Payable/Disbursement process

Accounts payable documentation/support is reviewed in the Business Office before checks are processed. However, there is no documentation (initial) by the person that the invoices are approved as "OK to pay". In order to enhance controls in the accounts payable processing area, we recommend that an appropriate person in the Business Office initial the accounts payable check register before the accounts payable checks are issued.

Capital asset inventory

The District inventories the fleet of buses against underlying capital asset detail records on an annual basis. However, equipment items are not periodically inventoried. We recommend that equipment items be inventoried every four or five years to ensure that the items are still on hand and the accounting records are accurate.

* * * * *

FORM **SF-SAC**
(8-6-2008)U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2008, 2009, or 2010**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

PART 1**GENERAL INFORMATION (To be completed by auditee, except for Items 6, 7, and 8)****1. Fiscal period ending date for this submission**

Month	Day	Year
06	30	2008

2. Type of Circular A-133 audit

- 1 ☒ Single audit
2 ☐ Program-specific audit

3. Audit period covered

- 1 ☒ Annual 3 ☐ Other — Months
2 ☐ Biennial

4. Auditee Identification Numbers**a. Primary Employer Identification Number (EIN)**

3 8 — 6 0 0 4 0 3 5

b. Are multiple EINs covered in this report? 1 ☐ Yes 2 ☒ No**c. If Part I, Item 4b = "Yes," complete Part I, Item 4c on the continuation sheet on Page 4.****d. Data Universal Numbering System (DUNS) Number** — — **e. Are multiple DUNS covered in this report?** 1 ☐ Yes 2 ☒ No**f. If Part I, Item 4e = "Yes," complete Part I, Item 4f on the continuation sheet on Page 4.****5. AUDITEE INFORMATION****a. Auditee name**
LINCOLN CONSOLIDATED SCHOOLS**b. Auditee address (Number and street)**

7425 WILLIS RD.

City

YPSILANTI

State

MI

ZIP + 4 Code

4

8

1

9

7

—

c. Auditee contact

Name

CATHY SECOR

Title

DIRECTOR OF FINANCIAL SERVICES

d. Auditee contact telephone

(734) 484 — 7081

e. Auditee contact FAX

(734) 484 — 1212

f. Auditee contact E-mail

SECOR@GW.LINCOLN.K12.MI.US

g. AUDITEE CERTIFICATION STATEMENT — This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Auditee certification

Date

ELECTRONICALLY CERTIFIED

11/14/2008

Name of certifying official

CATHY SECOR

Title of certifying official

DIRECTOR OF BUSINESS SERVICES**6. PRIMARY AUDITOR INFORMATION***(To be completed by auditor)***a. Primary auditor name**

REHMANN ROBSON

b. Primary auditor address (Number and street)

675 ROBINSON RD.

City

JACKSON

State

MI

ZIP + 4 Code

4

9

2

0

3

—

c. Primary auditor contact

Name

DAVID M. FISHER, CPA

Title

PRINCIPAL

d. Primary auditor contact telephone

(517) 787 — 6503

e. Primary auditor contact FAX

(517) 788 — 8111

f. Primary auditor contact E-mail

DAVE.FISHER@REHMANN.COM

g. AUDITOR STATEMENT — The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

7a. Add Secondary auditor information? (Optional)

- 1
- ☐
- Yes 2
- ☒
- No

b. If "Yes," complete Part I, Item 8 on the continuation sheet on page 5.

Auditor certification

Date

ELECTRONICALLY CERTIFIED

10/31/2008

PART II**FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**

Mark either: 1 ☒ Unqualified opinion **OR**
any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?1 ☐ Yes 2 ☒ No**3. Is a significant deficiency disclosed?**1 ☐ Yes 2 ☒ No – SKIP to Item 5**4. Is any significant deficiency reported as a material weakness?**1 ☐ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

3. Did the auditee qualify as a low-risk auditee? (§ .530)1 ☒ Yes 2 ☐ No**4. Is a significant deficiency disclosed for any major program? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No – SKIP to Item 6**5. Is any significant deficiency reported for any major program as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☐ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development10 ☐ Agriculture23 ☐ Appalachian Regional Commission11 ☐ Commerce94 ☐ Corporation for National and Community Service12 ☐ Defense84 ☐ Education81 ☐ Energy66 ☐ Environmental Protection Agency39 ☐ General Services Administration93 ☐ Health and Human Services97 ☐ Homeland Security14 ☐ Housing and Urban Development03 ☐ Institute of Museum and Library Services15 ☐ Interior16 ☐ Justice17 ☐ Labor09 ☐ Legal Services Corporation43 ☐ National Aeronautics and Space Administration89 ☐ National Archives and Records Administration05 ☐ National Endowment for the Arts06 ☐ National Endowment for the Humanities47 ☐ National Science Foundation07 ☐ Office of National Drug Control Policy59 ☐ Small Business Administration96 ☐ Social Security Administration19 ☐ U.S. Department of State20 ☐ Transportation21 ☐ Treasury64 ☐ Veterans Affairs00 ☒ None☐ Other – Specify:

PART III FEDERAL PROGRAMS - Continued			
9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR			
CFDA Number	Research and development (c)	Name of Federal program (d)	Amount expended (e)
Federal Agency Prefix1 (a)	Extension 2 (b)		
8 4 .010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I, PART A	\$ 267,853 .00
8 4 .298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V, PART A	\$ 2,034 .00
8 4 .318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE II, PART D	\$ 1,596 .00
8 4 .367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE II, PART A	\$ 94,661 .00
8 4 .027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION CLUSTER	\$ 1,017,114 .00
8 4 .173	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PRESCHOOL-INGENTIVE	\$ 40,323 .00
8 4 .181A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	EARLY ON	\$ 24,679 .00
8 4 .365	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE III	\$ 11,656 .00
8 4 .186	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE IV	\$ 10,453 .00
1 0 .553	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL BREAKFAST	\$ 118,534 .00
TOTAL FEDERAL AWARDS EXPENDED			\$ 2,074,881 .00

1 See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

2 Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

3 If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

4 Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

5 N/A for NONE

A. Activities allowed or unallowed

B. Allowable costs/cost principles

C. Cash management

D. Davis - Bacon Act

E. Eligibility

F. Equipment and real property management

G. Matching, level of effort, earmarking

H. Period of availability of Federal funds

I. Procurement and suspension and debarment

J. Program income

K. Real property acquisition and relocation assistance

L. Reporting

M. Subrecipient monitoring

N. Special tests and provisions

O. None

P. Other

PART I GENERAL INFORMATION - Continued

8. Part I, Item 8, Secondary Auditor's Contact Information. (List the Secondary Auditor's Contact information)

1. a. Secondary Auditor name N / A		2. a. Secondary Auditor name		3. a. Secondary Auditor name	
b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
c. Secondary Auditor contact Name Title		c. Secondary Auditor contact Name Title		c. Secondary Auditor contact Name Title	
d. Secondary Auditor contact telephone		d. Secondary Auditor contact telephone		d. Secondary Auditor contact telephone	
e. Secondary Auditor contact FAX		e. Secondary Auditor contact FAX		e. Secondary Auditor contact FAX	
f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail	
4. a. Secondary Auditor name		5. a. Secondary Auditor name		6. a. Secondary Auditor name	
b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
c. Secondary Auditor contact Name		c. Secondary Auditor contact Name		c. Secondary Auditor contact Name	
Title		Title		Title	
d. Secondary Auditor contact telephone		d. Secondary Auditor contact telephone		d. Secondary Auditor contact telephone	
e. Secondary Auditor contact FAX		e. Secondary Auditor contact FAX		e. Secondary Auditor contact FAX	
f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail	